

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

DIVISION OF STATEWIDE PLANNING

ERIC
TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898
PHONE: (907) 465-4070
TEXT: (907) 465-3652
FAX: (907) 465-6984

December 23, 1999

David Paperman
Executive Director
Seward Chamber of Commerce
P.O. Box 749
Seward, AK 99664

Dear Mr. Paperman:

The department has been working on the Southwest Alaska Transportation Plan in order to meet multiple objectives. The two most important objectives are improving the transportation services to an under-served geographic region and reducing state expenditures (after both operating costs and revenues are considered). Inevitably, such a planning effort must consider changes, and such changes, where perceived as harmful to any given community, will naturally cause alarm.

We well understand your concern over the possible prospect of reduced service levels from a marine transportation asset your community has enjoyed for more than 35 years. Yet, it would be irresponsible to the greater Alaskan public to not consider this change, if it can be shown to meet the overall plan objectives.

Let me make a few observations about the M/V *Tustumena* and the study results:

- The M/V *Tustumena* is the only ocean-certified vessel routinely scheduled in Prince William Sound and Southwest service. Of this scheduling she spends nearly 1 hour in 4 serving PWS ports, communities which might better be served with a less expensive coast-wise vessel.
- In 1997 the M/V *Tustumena* carried 66% more passengers per trip between Kodiak and Homer than between Kodiak and Seward, while car deck utilization was identical between the two city pairs.
- Based on operating hours per link served, there were 8.16 passengers carried per operating hour on the Homer run versus 3.54 passengers per operating hour on the Seward run.

- Total travel time from Kodiak to the shopping/services/transportation center of Anchorage is about equal, with the longer road trip from Homer offsetting the longer ferry trip to Seward.
- Early estimates by the consultant suggest that increasing service to both the Alaska Peninsula and Homer would improve ridership hence revenues and thereby reduce overall state operating costs.
- Considering hours per run, passenger ridership and vehicle counts, the runs to Homer require less than one-half the subsidy that do trips to Seward.
- Trips to Homer can also serve Seldovia, another community lacking road access. The revenue from these stops is considerable and would further shrink the subsidy on the Homer-Kodiak routing.

While you've asserted that costs would rise to the state under the scenarios outlined in the draft report, the consultant's work indicates a latent demand for both vehicles and passengers in the communities on the Alaska Peninsula and Aleutians. They estimate under the Service Option A an increase in passenger travel of 214% and vehicle travel of 179% to the communities west of Kodiak. We have seen this same elasticity in demand in other areas of the state where trip frequency has increased such as the recent use of a daily ferry between Juneau and northern Lynn Canal communities.

Following is the predicted costs, revenues and net subsidy required for the current operations and the two alternatives shown in the consultant's work. Alternative A is a service schedule that would make two trips every four weeks to the Aleutians; and Alternative B a service schedule that would make one trip to the Aleutians every four weeks. Under A, Kodiak would on average receive service every third day, and the Alaska Peninsula and the Aleutians would receive service twice a month. Under Alternative B, Kodiak would still receive service approximately every third day, but the Alaska Peninsula and the Aleutians would receive service once a month.

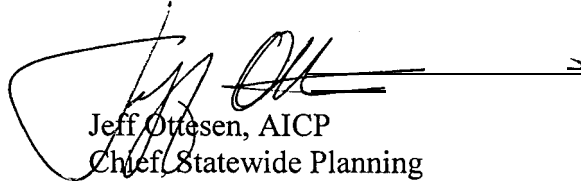
Dedicated Tustumena

	Annual O&M Cost	Estimated Revenues	Net Subsidy Required
Current <i>Tustumena</i> Operations	\$7,709,000	\$3,276,000	\$4,433,000
Dedicated <i>Tustumena</i> Alternative			
Option A	\$7,718,848	\$4,637,000	\$3,082,000
Option B	\$7,717,010	\$4,620,000	\$3,097,000

At this time no official recommendation has been made. But in view of the factual costs and ridership numbers, I think it fair to say there are legitimate reasons for the consideration of these ideas, and that from some perspectives they would be beneficial to

the overall public interest. That is the purpose of this study. To put ideas forward and let the facts and public expressions guide the ultimate decision. I thank you for taking the time to write and look forward to continuing the dialog.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Ottesen", is written over a horizontal line. The signature is stylized with a large loop on the left and a horizontal stroke on the right.

Jeff Ottesen, AICP
Chief, Statewide Planning